

VZCZCXRO3940  
RR RUEHAG RUEHBC RUEHDE RUEHDF RUEHIK RUEHKUK RUEHLZ RUEHROV  
DE RUEHLB #1415/01 2731341  
ZNR UUUUU ZZH  
R 291341Z SEP 08  
FM AMEMBASSY BEIRUT  
TO RUEHC/SECSTATE WASHDC 3183  
INFO RUEHEE/ARAB LEAGUE COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RHEHAAA/NSC WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/USDOC WASHDC

UNCLAS SECTION 01 OF 02 BEIRUT 001415

SENSITIVE

SIPDIS

STATE FOR NEA/ELA  
STATE PASS USTR  
TREASURY FOR MNUGENT AND SBLEIWEISS  
USDOC FOR 4520/ITA/MAC/ONE  
NSC FOR ABRAMS/RAMCHAND/YERGER/MCDERMOTT

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [LE](#)

SUBJECT: LEBANON: ENERGY MINISTER NOT EAGER FOR PRIVATIZATION,  
PERCEPTIONS OF CORRUPTION RISING (ECONOMIC WEEK IN REVIEW, SEPTEMBER  
22 - 28, 2008)

CONTENTS

-----  
-- ENERGY MINISTER NOT EAGER FOR PRIVATIZATION, WORKING ON NEW  
TARIFF STRUCTURE  
-- LEBANON FALLS IN 2008 CORRUPTION PERCEPTION INDEX  
-- NATIONAL CAMPAIGN FOR ENVIRONMENTAL PROTECTION LAUNCHED  
-- MOBILE PENETRATION RATE REACHES 33.1 PERCENT IN FIRST HALF  
OF 2008  
-- SAUDI ARABIA GIVES \$44 MILLION TO SUPPORT PUBLIC SCHOOLS  
-- PUBLIC WORKS MINISTER ANNOUNCES TRANSPORT PROJECTS IN  
LEBANON-SYRIA BORDER REGION  
-- ITALY GIVES 5 MILLION EURO GRANT FOR NAHR EL BARID  
RECONSTRUCTION

ENERGY MINISTER NOT EAGER FOR PRIVATIZATION  
WORKING ON NEW TARIFF STRUCTURE  
-----

11. (U) At a two-day workshop on electricity in parliament on  
September 15-16, Minister of Energy and Water Tabourian said that  
the best option to solve electricity problems would be continuing  
state ownership of the power sector, which is of "strategic  
importance," and corporatization of national utility Electricite du  
Liban (EDL), pushing it to operate as a private sector company.  
Tabourian does not want to include the private sector in current  
electricity reforms because he believes private companies will  
insist on earning huge profits when selling electricity to EDL.

12. (SBU) In a September 26 meeting with AID Director and EconOff,  
Tabourian explained his progress on developing a new tariff  
structure, which would reduce GOL subsidies and rationalize  
consumption by charging higher rates to the biggest consumers of  
electricity. While he had run into a few technical issues, he said,  
he would have a plan soon, and was working on building the political  
consensus to push the plan though. Finance Minister Chatah told the  
Embassy he expects the new tariff structure to save the government  
more than \$250 million a year.

LEBANON FALLS IN 2008  
CORRUPTION PERCEPTION INDEX  
-----

13. (U) On September 23, the Lebanese Transparency Association (LTA)  
held a press conference, simultaneously with Transparency  
International's Headquarters in Berlin, to announce the results of  
the 2008 Corruption Perception Index (CPI). According to the

survey, Lebanon ranked 102 out of 180 countries, down from 99 in 2007, and 11 out of 20 MENA countries, in terms of perception of corruption. The index measures the perception of corruption estimated by public officials and politicians, and focuses on corruption in the public sector, defined as an abuse of official power for private interests.

¶4. (SBU) LTA's co-executive director Khalil Gebara told us on September 25 that he has not received any feedback from the media or private and public sector following the announcement. Gebara believed this was because the public was not surprised and expected such results, adding that people were disappointed nothing is being done to combat corruption.

NATIONAL CAMPAIGN FOR ENVIRONMENTAL  
PROTECTION LAUNCHED  
-----

¶5. (U) On September 22, Minister of Environment Antoine Karam, in collaboration with the UN Development Program (UNDP), launched the National Campaign for Environmental Protection to raise awareness on environmental issues. The campaign will feature a series of billboard and television advertisements starring the current Miss Lebanon, highlighting ecological damage in the country and costs of environmental degradation. UNDP resident representative Marta Ruedas announced that the Ministry of Environment, as the designated National Authority for the Clean Development Mechanism of the Kyoto Protocol, has granted UNDP permission to proceed with the Millennium Development Goals (MDGs) Carbon Facility, a mechanism for the development and commercialization of emission reduction projects.

BEIRUT 00001415 002 OF 002

MOBILE PENETRATION RATE REACHES  
33.1 PERCENT IN FIRST HALF OF 2008  
-----

¶6. (U) According to the Arab Advisors Group, Lebanon's two state-owned mobile operators added 81,266 new subscribers to their services in the first half of 2008, or a 6.7 percent increase from the end of 2007. By the first half of 2008, the mobile penetration rate reached an estimated 33.1 percent. This compares with an 86.6 percent penetration rate in Jordan and 79 percent in Tunisia in the first half of 2008. Because of high prices and poor service, the Lebanese mobile market is still below its true potential, the study noted, and stressed that liberalization should strongly enhance the market's growth and encourage competition.

SAUDI ARABIA GIVES \$44 MILLION  
TO SUPPORT PUBLIC SCHOOLS  
-----

¶7. (U) During a meeting with PM Siniora on September 20, Saudi Ambassador Khoja announced that Saudi Arabia would give Lebanon a \$44 million grant to support public school students in Lebanon. Out of the grant, \$20 million would be allocated to cover tuition fees, \$20 million for books for public school students from kindergarten through grade nine for the 2008-2009 academic year, and \$4 million for the National Council for Supporting Public Schools. Siniora noted that during each of the two previous academic years, Saudi Arabia had given Lebanon a \$20 million grant for public school students.

PUBLIC WORKS MINISTER ANNOUNCES TRANSPORT  
PROJECTS IN LEBANON-SYRIA BORDER REGION  
-----

¶8. (U) Press reported that Minister of Public Works and Transport Ghazi Aridi visited the northern areas of Akkar and Abboudieh near the Syrian border on September 25, where he discussed the rehabilitation of the Abboudieh road and of a train track linking Tripoli to the Syrian border. These projects would allow easier access for Lebanese goods to Syria and Arab markets more generally. Aridi said that Lebanon had signed a contract with a Syrian company for the track rehabilitation, and that there were discussions with

the Kuwaiti Fund to provide the \$33 million in financing necessary to complete the projects.

ITALY GIVES 5 MILLION EURO GRANT  
FOR NAHR EL BARID RECONSTRUCTION  
-----

19. (U) On September 23, President of the Council for Development and Reconstruction (CDR) Nabil Jisr signed an agreement with Italy for a five million Euro grant for the recovery and reconstruction of the Nahr el Barid camp and its surrounding areas. According to the Italian Embassy in Beirut, this grant, pledged at the Vienna Conference in June, comes in addition to Italy's contribution already channeled through UNRWA and UNDP.

GRANT